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August 26, 2020

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OF COUNSEL: RAYMOND SAYEG

VIA EMAIL

Adam Chapdelaine, Town Manager
John V. Hurd, Esq., Chairman
Arlington Select Board
730 Massachusetts Avenue
Arlington, MA 02476

Re: 1165R Massachusetts Avenue, Arlington, MA (the "Property")

Dear Town Manager Chapdelaine and Chairman Hurd:

As you now, this office represents 1165R Mass MA Property, LLC (hereinafter referred to as the "Applicant") in connection with the Comprehensive Permit for the project proposed for the Property. This letter is intended to supplement my letter of August 20, 2020 to John Hurd, Chairperson of the Arlington Select Board.

You have asked that we provide additional detail as to why the Applicant has concluded it is not feasible to include artist studio space and/or commercial space in the development of the Property. In addition to the reasons set out in my August 20, 2020 letter, the Applicant has concluded that including such space is not economically feasible since the scope and magnitude of the costs to revitalize the Property will not and cannot provide the stream of revenue necessary from a mixed-use type development to secure lender financing.

The Property is at a critical crossroads. It can no longer function in its present condition because, among other reasons, the building systems are at the end of their useful life, utility connectors are failing, the bridge over Mill Brook needs to be completely replaced, the life-safety systems are outdated and the historic buildings that can be restored and readapted need to be renovated to be preserved.

The Applicant anticipates an investment of \$45 million (exclusive of the land cost which the Miraks are contributing to the project) to renovate and preserve the historic structures on the Property that are capable of being restored and readapted for residential use, constructing new buildings with parking garages underneath for aesthetic purposes and construction of significant infrastructure. Securing financing necessary to service this level of debt service is based on the income stream projected from the project as proposed.

As you are aware, the Miraks have leased space at the Property to artists as well as other commercial users for approximately fifty (50) years at below market rents of between \$7.00 to

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\$15.00 a square foot. The Miraks were able to do so because of the low cost basis in the Property. By comparison, rents for the proposed apartments, including the subsidized affordable apartments are anticipated to be approximately \$38.00 per square foot. Further, a modest area of 1,000 square feet for commercial space would reduce the project by two residential apartments, significantly impairing the financial feasibility of the project and making it "uneconomical" under the 40B guidelines.

In 2016, the Miraks renovated one of the buildings on site, 1167 Massachusetts Avenue, which presently houses WorkBar. WorkBar, which is housed in the former Schwab piano factory, was renovated at a cost of several million dollars and is a co-working office space. With the resulting significant renovation costs to readapt this building came increased rents. Thus, the proposed project at the Property, if it were to include artist space, would require rents at a higher level than what is presently on the market for unoccupied and currently available commercial space in Town.

Moreover, in these unprecedented times, we are seeing additional storefronts on Massachusetts Avenue that are vacant including 1181 Massachusetts Avenue, which has been vacant for nearly a year, two commercial spaces at 1420 Massachusetts Avenue that have been vacant for approximately six months, 464-478 Massachusetts Avenue, the former site of Tango Restaurant, 94 Summer Street, 451 Massachusetts Avenue, 459 Massachusetts Avenue, the former site of Papa Ginos restaurant, two commercial spaces at 190-192 Massachusetts Avenue, and two commercial spaces at 369 Massachusetts Avenue. These unrenovated spaces are seeking between \$20.00 and \$30.00 triple net per square foot. The Applicant respectfully suggests that the issue is not the loss and unavailability of space, but the loss of substantially below market rent space.

Given the present level of unoccupied space on Massachusetts Avenue and the unfortunate consequences the pandemic may have, the creation of additional commercial space which would not front on Massachusetts Avenue would impede and perhaps preclude third-party financing.

The demographics in our Town and the assessment of the lack of available residential opportunities substantiate the conclusions in the Arlington Housing Production Plan, adopted by the Select Board and Redevelopment Board in 2016, that, inter alia: (a) "the number of Arlington households is increasing, corresponding with greater housing demand"; (b) "Arlington's vacancy rate is 4%, which limits opportunities for current residents to move within Town and for new residents to move in"; (c) according to the (Metropolitan Area Planning Council) projections for Arlington through 2020 is that several hundred additional units are needed to meet local demand; and (d) "the existing housing supply and new units added must meet the needs of an aging population, the town's significant number of family households,

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smaller households including seniors looking to downsize, and households earning a range of incomes." Plan at p.6.

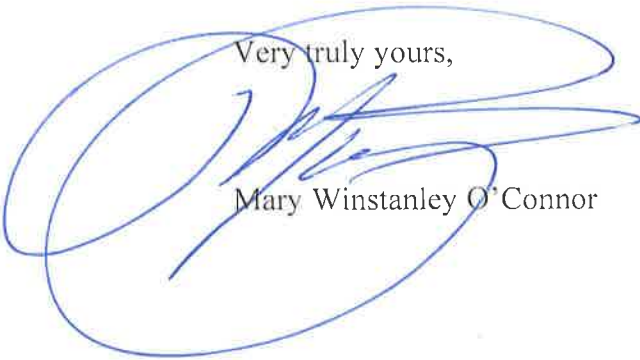
With respect to the suggestion that this project be a mixed-use project, the project with the presence of WorkBar is, in fact, a mixed-use project. WorkBar contains 11,000 square feet of co-working space and provides space for small innovative enterprises in Arlington. WorkBar, paired with the residential development proposed, will provide the Town with a vibrant and balanced mixed-use development that will include the showcasing of Mill Brook.

The project as proposed complies with the Comprehensive Permit regulations required for affordability, specifically designating 25 percent (25%) of the residential apartments for individuals and families that make less than 80% of the median household income. The Applicant has agreed to explore with the Department of Planning the possibility of funds or subsidies that may be available and will run coterminous with the restrictions on the affordable units through the Community Economic Development Assistance Corporation. The availability of such funding sources, the program requirements, the attendant program costs and the viability of the funding sources will all need to be considered in determining whether the sources are viable.

Though, as detailed in my letter of August 20, 2020, I believe these matters should not properly be a basis for the Select Board to withhold their support of this project, you have asked that the Applicant further elucidate its position. I trust this letter does so.

On behalf of the Applicant, I request that the letter to Massachusetts Housing be one of clear support for the project. In advance, I thank you.

Very truly yours,



Mary Winstanley O'Connor

MWO/ccg
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cc: Julia Kew Mirak
Daniel St. Clair